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SEP 8 1999

September 8, 1999

Kyle Dixon, Esq.
Office of Commissioner Powell
Federal Communication Commission
Room 8B 201
445 12th Street, SW
Washington, DC 20554

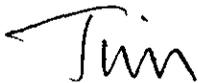
RE: Ex Parte Submission, Implementation of the Local Competition Provisions
in the Telecommunications Act of 1996, CC Docket No. 96-98

Dear Kyle:

Thanks for meeting with me and Jeff Linder yesterday to discuss TIA's unique
broadband proposal. You asked for more information on ClearWorks and RCN.
Please find the information enclosed.

Thanks for your interest.

Sincerely,



cc: Secretary Magalie R. Salas

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Business Plan

Executive Summary

ClearWorks Technologies, Inc. (the "Company") is a turnkey provider of voice, data and video services for both commercial and residential customers. The Company's vision is to become the industry leader in integrated voice, data and video solutions. ClearWorks is accomplishing this vision by integrating technology and technology based companies into an organization focused on the delivery of a suite of digital services to our clients. The Company is taking advantage of the fact of convergence of telephone, cable TV, satellite TV, telecommunications and INTERNET technology to accomplish its' objectives. Additionally, the Company intends to take advantage of the deregulation of the telecommunications industry based on the passage by the US Congress of the Telecommunications Act in 1997.

Founded in 1997, the Company initially began developing its voice, data and video integration capabilities to address business needs. During its early formation the Company recognized an opportunity to utilize its' expertise to develop and deliver "bundled digital services" to residential customers directly. The Company has developed a proprietary solution to deliver a turnkey digital service package directly to consumers. Through extensive research and development (R&D), the Company possess technology that can utilize a high speed INTERNET connection for the delivery of all services. The Company currently provides a wide array of digital solutions to commercial customers and it will soon (Q1 99) deploy its' technology to residential customers.

The Company currently contains two major operating companies, ClearWorks Commercial Services and ClearWorks Residential Services. The Company anticipates the advantages of operating these companies together based on delivering like services to both sets of customers, much like the Regional Bell Operating Companies (RBOCs) do today. Additionally, the Company can utilize its' proprietary technology to deliver voice data and video solutions to both sets of customers via the INTERNET.

Services and Products

ClearWorks Commercial Services (CCS) develops commercial accounts for the deployment of voice, data and video solutions. These customers consist of Fortune 1000 companies who seek outside expertise to develop and integrate their various technology solutions. Among these customers, the company generates revenue through information technology consulting, computer networking services, equipment sales, business and INTERNET phone systems, INTERNET connectivity, as well as systems administration services. The Company also performs hardware and software installations, system upgrades and enhancements and maintenance services.

ClearWorks Residential Services (CRS) delivers "bundled digital services" to the residential consumers. The company has proprietary technology to enable it to uniquely proceed into the voice, data and video market for residential consumption via the INTERNET. The company is deploying local voice (dialtone), long distance, digital Cable TV services, on-demand video rental, voicemail and persistent INTERNET connectivity in an initial project to 6,000 homeowners. This initial project will include a Community Intranet for integrating local businesses and schools into the community. The market for "bundled digital services" is just beginning to develop in the US based on the Telecommunications Act and deregulation of the marketplace.

Key Relationships

The Company currently enjoys a strategic relationship with IBM. The Company is an integrator of IBM solutions, to consumers as implementers of IBM Home Director technology within the home. IBM Home Director technology allows for a technology infrastructure to be built into the home. IBM Home Director includes advanced wiring, Close Circuit TV (CCTV), a Local Area Network (LAN), and telephone distribution capabilities. Additionally, IBM Home Director technology provides for automation of the homes electrical devices including wall outlets, lamps, HVAC, security system and other devices. IBM Home Director technology provides a mechanism for ClearWorks to deliver and distribute "bundled digital services" once services enter the home. ClearWorks currently generates revenues through the installation of advanced wiring and IBM Home Director sales. Additionally, the target markets of the IBM Home Director product and that of ClearWorks are similar in nature.

Major Customers

The Company targets customers in the corporate, institutional and now residential areas. Most corporate customers are confronted with the necessity of staying abreast of rapidly changing telecommunications and information processing environments. The Company has positioned its services to fulfill requirements of mid to large sized corporations as they utilize integrated voice, video and data technology. The Company is developing customers in a variety of market verticals including Oil and Gas, Medical, Banking and Insurance, Legal, and Government and Education.

The Company is also targeting residential land developers and builders. Incentives have been developed to encourage developers to participate in utilizing the Company's "bundled digital services" in their communities. Developers now have an opportunity to participate in a long-term revenue stream generated from the delivery of "bundled digital services" into their communities. As such the Company is experiencing unprecedented demand for its residential technology. The Company has contracts to deliver services to over 21,000 residents in 1999 with additional contracts pending.

Market

The market for "bundled digital services" is in its' infancy. It represents the total market of all telephone companies, all Cable TV companies, all telecommunications companies and all INTERNET companies combined. ClearWorks' potential is in capturing subscribers and providing services to both business and residential customers.

Anticipated Acquisitions

Given the size and highly fragmented composition of the telecommunications industry, the Company has identified the potential to expand based on acquisition. In particular, the Company intends to focus its acquisition strategy on candidates that allow it to expand into the residential services market. The Company is currently under a letter of intent to acquire a Phoenix based operation which will double the Company in revenues and provide access to key residential customers. The Company has researched acquisitions in both Las Vegas and Denver, for subsequent immediate expansion.

Capital Requirements

The company is seeking capital to support the delivery of its' current residential projects and allow the expansion of its operations via acquisition into three new major markets, namely Phoenix, Las Vegas and Denver.

The Company's current residential project is to deliver "bundled digital services" to 21,000 homes split between Houston and Phoenix. The Company has an initial go live date of 6/31/99 and will ramp new homes as construction is completed. The Company has entered into contracts in which exclusive rights are maintained to deliver services into the communities. The Company has determined that each new home, on average requires \$1,500 in infrastructure (fiber and electronics) costs to begin delivering service. The total capital required to implement the initial projects is:

$$21,000 \text{ new homes} * \$1,500 = \$31,500,000$$

The homes will be built and available for service delivery over the next three-(3) years.

The Company has key acquisitions identified in each of cities in which it plans to expand. The following capital is required to complete the anticipated acquisitions.

<i>Location</i>	Fiscal 99 Revenues	Fiscal 99 Earnings	Valuation	Cash I P
Phoenix	\$3,600,000	\$310,000	\$1,800,000	
Las Vegas	\$2,900,000	\$151,000	\$1,250,000	
Denver	\$5,700,000	\$680,000	\$3,200,000	
TOTAL	12,200,000	1,141,000	\$6,250,000	

In addition to the cash required, the Company will provide common shares of 144 stock to each to acquisition. The exact number of shares will be determined based on the Company's trading price on the day of closing.

Financial Model

Bundled Digital Services

ClearWorks residential financial model is based on implementing infrastructure (fiber and electronics) in communities. This infrastructure is installed up front in order to gain an annuity of revenues over a subsequent number of years. The financial model is based on a per subscriber basis as follows:

Up Front Capital to Implement Each Home \$1,500

Service	Est. Rev/Month	Est. Rev/Year
Voice	\$14.00	\$168
Cable TV	\$35.00	\$420
Internet Connection	\$25.00	\$300
Video Rental	\$6.00	\$72
Security Monitoring	\$20.00	\$240
Community Intranet	N/A	N/A
Premium Programming	\$15.00	\$180
Long Distance	\$10.00	\$120
TOTAL	\$125.00	\$1,500

Therefore the return on Investment is as follows:

Revenue /Subscriber \$1,500

Cost of Goods \$965

Gross Profit \$525

Return on Investment = 12-18 Months

The Company believes this is a worst case scenario based on the ability to offer and deliver additional services to the subscriber. Based on the Company's 21,000 initial subscribers, the Company's year one revenue is approximately \$31,500,000.

Financial Projections

The following financial projection is based on the availability of \$6,000,000 in capital into the Company in 1999. ClearWorks assumes that each of the acquisitions currently identified are closed in 1999 and that the pooling method of account is applied. Additionally these projections assume that additional working capital is available in 2000 for further expansion. This Company projection includes revenue from both commercial and residential sources of revenue.

	<i>1,999</i>	<i>2,000</i>	<i>2,001</i>	<i>2,002</i>	<i>2,003</i>
Revenue	16,300	59,801	104,652	183,142	374,713
Cost of Goods	10,595	38,871	68,024	119,042	243,563
Gross Profit	5,705	20,930	36,628	64,100	131,150
SG&A	4,564	16,744	29,303	51,280	104,920
EBIT	1,141	4,186	7,326	12,820	26,230

Management

The Company's management structure is as follows:

Michael T. McClere CEO

Shannon McLeroy President

Brian Mickelson President – ClearWorks Commercial Services

Celia Figueroa General Counsel

Exit Strategy and Company Value

The Company believes that there are two exit strategies that will present themselves. First, and most likely is a selling of the business to a larger entity. Secondly, taking the company public on the NASDAQ market.

As ClearWorks continues to build market share and develop commercial and residential customers, the Company's value and attractiveness as acquisition candidates will grow. Based on market data for value of subscriber based companies the Company believes it can garner a \$10,000 per subscriber net worth. Based on the 21,000 subscribers above, the Company's value would be:

$$21,000 * \$10,000 = \$210,000,000$$

This value estimation does not include Public Market values in which the Company will be trading. Public Market valuations for technology companies often exceed a P/E ratio of 60. Market Cap for the Company by implementing the above acquisitions and subscribers ONLY is estimated to be \$460,000,000.

The Company is positioned for much larger growth should additional financing be provided in 2000. With that the value and market cap of the Company should greatly expand.

Corporate Overview

ClearWorks specializes in providing business solutions through the use of computer technology. We are a turnkey provider – a one-stop-shop enabling you to focus on your key business – not on multiple vendors and compatibility.

Business Solutions

There's no substitute for experience and ClearWorks' highly qualified *experts* in systems integration allow projects to be executed precisely, within budget and with your strategic goals in mind. Diversity in computer solutions is a complex maze of options and components – proper selection and integration are key and mission critical. Let ClearWorks consultants and engineers help you navigate this maze. They receive up-to-date training and certifications assuring you of top level expertise in the industry.

ClearWorks Technologies was founded with the goal of providing vendor independent network consulting, integration and support services while maintaining the highest-level quality solutions. We are dedicated to the science of network engineering, providing expertise and depth in a complex and ever changing market.

ClearWorks is divided into functional units to better serve you.

- **Structured Wiring**
- **Systems and Network Integration**
- **Systems and Network Support**
- **Internet Integration and Support**

ClearWorks is strategically positioned in the market to help you take advantage of the latest computer technology. Our mission is to provide a solution that works reliably and addresses your specific need. You are assured that recommendations for hardware/software are based on proven technology, not just latest and greatest.

ClearWorks corporate objectives are clearly defined:

- **Provide Business Solutions Through Technology**
- **Provide the Best Technology Possible Within Budget**

- **Quality In Every Solution**
- **Commitment to Customer Satisfaction**
- **Delivery of On-Time, On-Budget Projects**
- **Provide Business Advantages Through Technology**

Systems and Network Integration

ClearWorks Helps You Navigate the Systems Maze

ClearWorks provides a variety of network support services to supplement your existing technical expertise. However, as technology continues to evolve and as networks continue to expand, many organizations find that outsourcing can help meet cost and staffing goals. Our turnkey solutions provide the answer to an increasingly complex technological maze of vendors and choices.

Phase I – Design

Design a Solution to Satisfy Your Needs:

- Determine specific system and networking requirements and perform site surveys
- Perform feasibility and cost analyses
- Design a network that satisfies your technical and budgetary requirements while also meeting your time constraints.

Phase II – Implementation

Determine the Most Cost Effective Solution:

- Propose and review all designs including:

Network facilities designs

Product lists

System and network architectures

Network management designs

- Facilitate your project implementation with carefully planned schedule and work outlines.

Phase III – Support

Once Your Solution is Implemented, We Can Provide:

- On-Site support
- Remote support
- System monitoring & diagnostics
- Documentation
- Training

Turnkey Solutions Minimize Risk:

ClearWorks provides a single source to build your information technology capabilities and protect your investment. We can handle every phase of a project from design and development to implementation and support while ensuring your technology has a future growth path. Our services can be key to building an IT solution without the expense of long term employees.

You will also enjoy the benefit of contiguous methodologies and the reduced likelihood that you will require extensive technical support that frequently results from involving more than one vendor in your project. Once the project is completed, we can train your personnel to support the network.

Systems and Network Support

Broad-Based Experience

Developing business solutions using systems and networks is our specialty. ClearWorks has developed and supported integrated solutions on various platforms ranging from personal computers to mainframes to super-computers.

In-depth Networking Experience

ClearWorks' integration experience spans technology and includes extensive experience in a variety of network operating systems, computer platforms and infrastructure technology.

Design and Consulting

ClearWorks provides comprehensive network design services and has worked with the technology divisions of several major U.S. corporations. Our services include determining site specific local area network requirements; customer site surveys and requirements reviews; vendor proposal reviews; feasibility and cost analysis; network design; network management design; project presentations and scheduling; and the writing of requests for proposal.

We also have the network design experience to support multi-site wide area network configurations including national and international networks. Network designs include support for all types of vendor wiring schemes, hardware platforms and special software. We can design any facility to meet your specialized networking requirements.

Support Services

Trouble shooting, diagnostic services, administration and operational support are just a few of the services we provide. Our goal is to satisfy your unique needs. Several technical support arrangements are available – just contact your sales representative for more information.

On-Going Support

ClearWorks provides ongoing support once systems are implemented. This support can include turnkey systems management, remote systems management, hardware and software management, operations center functionality, and support of any or all individual components using analyzers and management stations.

ClearWorks support includes software and hardware upgrades for systems and networks and future product evaluations. Migration paths can be part of this service. Customer training and documentation can be included because building your knowledge concerning the solution is important for long-term system reliability.

Internet Solutions

ClearWorks provides Internet expertise for corporations and organizations that require across-the-board Internet solutions, not just promotional websites. These include consulting services, Internet policy development, firewall and security implementation, content filtering, web enabled data delivery, electronic commerce, catalogue publishing and high-speed telecommunications access.

Firewalls and Security

ClearWorks' solutions for security include state-of-the-art firewall and Internet products. These best-of-breed systems and appliances provide security at all levels and address masking, filtering and logging for user tracking purposes. Our consultants can analyze your security needs and develop policies for protecting your company and network from the Internet community.

Internet Enabled Solutions

Internet based business solutions can provide competitive advantages for your business. Solutions for performing electronic commerce to providing information on your business can be designed and implemented to bring your business to the global Internet marketplace.

Internet technology allows your business, your customers and your vendors to work cohesively and cost effectively together. Ask your sales representative for

a no-cost consultation to begin your journey to the electronic frontier.

Structured Wiring

As a full service provider of technology, ClearWorks can assist you with all aspects of your environment for both the logical and the physical layers. A stable wiring solution is crucial to overall system reliability, so ClearWorks maintains a complete fiber and copper team to address the physical layer of your network. ClearWorks additionally understands your computer systems and network. We provide one vendor, one solution source.

Fiber Deployment

- Network Layout
- Indoor Plant
- Outdoor Plant – Ariel & Underground
- Voice and Data Applications

Copper Deployment

- Category 5 cable installation & certification
- Category 3 cable installation
- Coaxial for special applications

**frogs
dogs
hogs
and
streams**

4 Survival Lessons

dear shareholders: The world is racing into the MegaBand™ Age, a radically new climate for consumers and corporations. Especially telecommunications companies. Like a precipitous change in the planet's physical ecology, this new environment is setting off a brutal fight for survival. All bets are off. The rules of business are shifting fast, furiously and forever. Enterprises can no longer steer by the stars of experience and past practice. Fittingly, a century of marvels is ending with a big bang, a new historical chapter unfolding in realtime, here on the verge of the third millennium. And so, our 1999 Report offers four lessons in survival, four tales about how RCN expects to thrive, not just survive, in the maelstrom.

Frogs examines "discontinuous change" — the massive, rapid Great Leap constituted by parallel revolutions in consumer power, technological advances and the soul of business. **Dogs** illustrates the "power of lateral thinking," i.e., the necessity of fresh perspectives in this turbulent new world. **Hogs** outlines the crucial advantages RCN's True Local Network™ has over the incumbents' tired wires — and our market-by-market expansion plan. **Streams** lays out the economic logic of our core strategy: a new fiber-optic network delivering phone, cable TV and high-speed Internet access to high-density residential markets.

How RCN Will Thrive: A Primer

In a stable environment, market-dominant companies are good bets for investors. Three hundred years of economic history since the Industrial Revolution has shown what happens to companies that become set in their ways. Their engrained systems and procedures get acceptable results even with ordinary people. Because those systems quickly become cast in stone, when an earthquake alters the competitive foundation, they crack and crumble. That's why market-dominant companies usually don't remain dominant when there is a change in kind, as opposed to a change in degree — a change so big, quick and complete that 'before' and 'after' look totally different. Just such a tumultuous Big Shift is occurring in our industry even as you read this letter. Most companies can't handle the changes. Why? Because success breeds success formulas. And formulas, in an environment of blinding change, inevitably breed failure.

equipment: an entrepreneurial mindset that welcomes change, embraces action, and understands that today's sea shifts create opportunities to make bold moves.

RCN sees those opportunities. We're making bold moves. We're building a new network with lower operating costs. The telco incumbents are still operating networks that depend on twisted copper wires and technology invented more than 100 years ago. To be sure, the incumbents are spending billions to upgrade their networks. But retrofitting 19th century technology to meet the needs of the 21st is like trying to keep an old car roadworthy for superhighway speeds. The result is a vicious circle, where you have to keep putting more money into the network before you can increase revenues. We don't do that. Our network already has plenty of excess capacity.

We're building networks on the "80/20" model. That is, we're utilizing less than 20% of our network capacity. That means we have enough fiber to support over 80% more capacity than what our four services require today. Why? As more Internet-based and inspired applications are invented — and they will be — we can sell more products and services without having to upgrade our infrastructure. That leads us into a *virtuous circle*, where we can increase our revenue with little or no capital investment.

We're building our network in the right locations — the Boston to Washington, and San Francisco to San Diego corridors. Those areas not only have some of the oldest incumbent networks and the highest prices; they're also the places with the highest telecom usage patterns.

We are the only company building a new network to the home, in the densest markets in the country. That gives us tremendous leverage. And we're applying it with demonstrable success.

RCN is pioneering a new business model, and our first full year as a public company shows that it is working. We've had an eightfold increase in advanced fiber connections, a sixfold increase in advanced fiber homes passed, nearly doubled annual revenues, and built one of the nation's largest and most successful Internet service providers (ISPs).

Total connections — that is, the number of individual services, such as local and long-distance phone, cable and Internet access, purchased by our customers — increased to 855,361 at the close of 1998 from 267,667 at

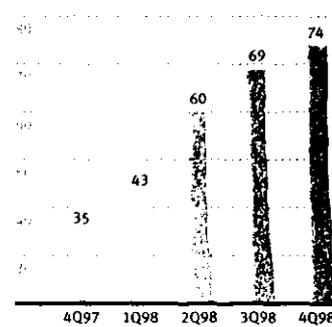
December 31, 1997. RCN's homes passed, an important measure of construction progress in the rollout of our advanced fiber network, increased 591% from a year earlier.

In 1998, RCN Corporation's consolidated revenue increased 92% to \$245.1 million, compared to \$127.3 million in 1997. In the fourth quarter of 1998 alone, advanced fiber-optic network connections grew 48.9%, and on-net voice, data and video connections grew 48%, 69% and nearly 50%, respectively.

As we continue to roll out a robust fiber platform capable of delivering high-quality phone, cable and Internet access, as well as future applications, we anticipate continued EBITDA losses. At year-end 1998, RCN posted an EBITDA loss of \$48.5 million, compared to a loss of \$7.9 million the previous year. The losses reflect the company's continued investment in the development of its operations in the Boston to Washington and San Francisco to San Diego corridors.

Revenue Growth

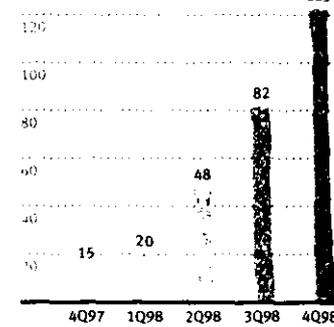
Pro Forma Total RCN, In Millions



Increased 111% from 4Q97 to 4Q98

Growth in Service Connections

On-Net, In Thousands



Increased 720% from 4Q97 to 4Q98

Acquisition of four major Internet service providers has made RCN the nation's largest strategically clustered ISP. In December 1998, we announced the launch of the rcn.com brand. And by January, Internet subscriber growth vaulted us past the half-million-connection milestone. Reflecting consumer priorities, RCN now uses dial-up Internet access as its first product offering in areas where RCN's fiber-optic network is still under construction.

Finally, the U.S. Supreme Court issued a ruling on February 26, 1999, that amounted to a major victory for RCN and its facilities-based approach to

bringing competition to local phone markets. The Court ruled that the FCC will continue to have the authority to set rules to encourage local competition, a move that supports RCN's unique local market strategy.

A Watershed Moment

We've had great success in the capital markets. Recently, we secured \$1.25 billion in new long-term capital, bringing our total cash and available capital to \$2.25 billion. And in line with our phased, market-by-market expansion strategy, this infusion now gives us the resources to complete and bring to profitability our networks in modular, 100,000-150,000-home, self-sustaining markets. We now have built more than 1,000 route miles and 100,000 total fiber miles in local markets. Bottom line, in 1999, we expect to ramp up construction activity in the Northeast Corridor significantly and continue our development in the West.

We're living in unprecedented times. The changes we've seen are only the harbingers of greater changes to come. Multiple revolutions will continue to churn through the telecommunications industry, creating unprecedented opportunities for the companies with the right attitudes, right ideas and, most important, the most leverageable network.

We are confident that RCN has those attributes. With your continued support, we look forward to succeeding in this new world.



David C. McCourt

Chairman and Chief Executive Officer

May 10, 1999

Thousands of Dollars

For the Years Ended December 31.

1998

1997

1996

Statement of Operations Data:

Sales	\$ 245,125	\$ 127,297	\$104,910
Direct costs	112,371	51,757	35,226
EBITDA before nonrecurring charge and acquired in-process research and development	(48,494)	(7,882)	25,803
Depreciation and amortization	109,606	53,205	38,881
Net (loss)	(235,039)	(52,391)	(5,989)

Balance Sheet Data:

Cash, temporary cash investments and short-term investments	1,028,600	638,513	108,674
Property, plant and equipment	645,005	307,920	220,357
Accumulated depreciation	162,561	107,419	84,529
Net property, plant and equipment	482,444	200,501	135,828
Total assets	1,951,067	1,151,163	628,085
Long-term debt (including current portion)	1,267,133	686,103	131,250
Capital expenditures	310,755	79,203	38,548

* Pro Forma Total RCN results are different from GAAP only in that they consolidate all operations and then reflect any share not owned by RCN as Minority Interests.

TOTAL SERVICE CONNECTIONS

	4Q98	3Q98	2Q98	1Q98
Advanced Fiber				
<i>On-Net</i>				
Voice	30,868	20,857	11,428	4,473
Video	86,349	58,324	35,196	15,599
Data	6,176	3,661	1,588	267
Subtotal On-Net	123,393	82,842	48,212	20,339
<i>Off-Net</i>				
Voice	65,022	58,093	49,052	40,447
Video	175,313	196,776	214,164	227,558
Data	491,633	470,466	398,560	370,271
Subtotal Off-Net	731,968	725,335	661,776	638,276
Total Service Connections	855,361	808,177	709,988	658,615

Advanced Fiber Homes Passed	304,505	213,983	122,977	63,386
Marketable Homes	270,406	181,353	111,187	N/A